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The influence of customer satisfaction, switching cost and trusts in a brand on customer loyalty - the survey on student as im3 users in Depok, Indonesia

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Abstract

In order to survive in the tight competition, many cellular providers have a big effort to maintain the customer loyalty. This research attempted to analyze the influence of customer satisfaction, switching cost, and trust in a brand towards customer loyalty partially and simultaneously. The research method was descriptive analysis by the multiple regression analysis. The data was compiled by distributing questionnaire to 100 respondents of youngsters in Depok Area, a suburban near Jakarta as Indonesia capital city. Youngsters were the main target of the cellular providers market shares. The result showed that customer satisfaction and switching cost had a significant influence to customer loyalty. However, the trust in brand had no significant influence to the customer loyalty. Furthermore when tested simultaneously, the customer satisfaction, switching cost, and trust in a brand has influence to the customer loyalty.

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Keywords: Customer satisfaction, switching cost, trust in brand, customer loyalty;

1. Introduction

The tight competition of cellular telecommunication business in Indonesia has increased recently. Since the

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penetration rate of cellular telecommunication for the Indonesian population was still big, many industries were attracted to cultivate the population as the great potential market. There were many new cellular telecommunication companies established to gain Indonesian market shares. Each company has different strategies that aims to win the competition. The customer's type for each operator is still dominated by prepaid customers. IM3 is one of the products issued by Indosat, Plc, the semi government owned institution that has a good reputation in Indonesia. Indosat, Plc has two different brand for the cellular telecommunication service products, namely *Mentari* and *IM3*. The first brand targeted the market segment for mature and business people, while the second brand targeted the market to youngsters. Hence, IM3 has varied products to cater the needs of the youngsters. This strategy could retain and gain good result for the company performance. The data showed that in May 2012, IM3 contributed 2/3 customer of Indosat Cellular Customer. From 52,1 billion of Indosat's Customer, there were 34,73 million of IM3 customers. Hence, it needs to be more research on strategy to increase customer loyalty, especially the IM3 customers to maintain its position in the market competition. Thusm this paper would discuss the topic of "The Influence Of Customer Satisfaction, Switching Cost And Trust In A Brand Of Customer Loyalty - The Survey on Student as the Users of IM 3 In Depok - Indonesia"

Based on the explanation, then the research problems in this study are: 1) How customer satisfaction influences the customer loyalty for Students as the Users of IM 3 In Depok - Indonesia? 2) How the switching cost influences the customer loyalty on Students as the Users of IM 3 In Depok - Indonesia? 3) How the trust in brand influencesthe customer loyalty on Students as the Users of IM 3 In Depok - Indonesia? 4) How customer satisfaction, switching cost, and trust in a brand influence the customer loyalty on Students as the Users of IM 3 In Depok - Indonesia?

Hence the research purposes is this to analyse the influence of customer satisfaction, switching cost, and trust in brand, toward customer loyalty partially and simultaneously.

2. Literature Study

2.1. Customer Satisfaction

The word satisfaction (satisfaction) comes from the latin word "satis" (meaning is quite good) and "facio" meaning adequate. Mowen & Minor (in Dinarty SH Manurung 2009) stated that consumer satisfaction is the overall attitude that is indicated form customer evaluation after acquiring consumer goods or services. This is an evaluative judgment after by selection of caused by the selection of special purchases and the experience of using the goods or services. Based on the definition, it can be concluded that customer satisfaction is an attitude, assessment and emotional response shown by the consumer after the purchase process. Consumption derived from the comparison against actual performance against a product and the expectation and evaluation of the experience of consuming a product or service.

2.2. Switching Cost

Switching cost is one of the categories in the switching barriers, which emerges from an analysis (Colgate and Lang, 2001) against the experience of consuming a product or service. Switching cost has been identified as a contributing factor in sustaining relationships (Colgate and Lang, 2001). Switching cost is the cost incurred by the customer due to switching to other service providers that would not be experienced if consumers remained loyal with current service providers (Lee, Lee, and Feick, 2001). Dwyer and Tanner (1999) also classify the switching cost as the loss of value of investment plus fines and other financial costs, related searches, evaluation as well as the cost of the service while using other providers. Switching cost may also be related to perceived risk, that is defined as the perception of the customers will be uncertainty and adverse consequences due to purchase products or services of other. Switching cost seems to be the important reason not to switch to another service provider.

2.3. Trust in Brand

According to Lau and Lee (1999 in Gede Riana 2008) there are three factors affecting confidence or trust against brand. The third factor is the relationship with the brand can be described as follows: 1) Brand characteristics relating to trust brands include unpredictability, had the reputation of, and competent. 2) Company characteristics that include the reputation of a company, the company's motivation is desirable, and the integrity of a company 3) Consumer-brand characteristic, include the similarity between the concept of emotional branding, with the

personality of consumers preferences towards a brand, and the experience of the brand.

2.4. Customer Loyalty

Wulf, Schored and Lacobucci (2001) defines loyalty as the magnitude of the consumption and purchase frequency used by a consumer against a single company. While according to Sheth & Mittal (2004), customer loyalty is the commitment of customers to a brand, shop, or suppliers, based on a very positive attitude and is reflected in the consistent repeat purchases. Indicators of customer loyalty according to Kotler & Keller (2006) are a Repeat Purchase (loyalty towards the purchase of a product); Retention (resistance to the negative influence of the company); Referalls (give reference to others regarding to the products and services).

3. Research Method

The main market of IM3 was youngsters that used the prepaid cellular service products. Thus, this research would focus on the youngsters who used IM3 prepaaid services in Depok Area, the suburbans near Jakarta as the Capital city of Indonesia. The place was chosen because the area had a lot of schools and universities that cater the education services for youngsters in Indonesia. The size of the population of this research is not identified, then to determine the sample size of the study population may be used, Slovin formula with error standard for 10%, thus the sample size was for 100 respondents. The research variables are Customer Loyalty (Y) as dependent variable and Customer Satisfaction (X1), Switching Cost (X2), and Trust in Brand (X3) as the independent variables. This research was carried on by descriptive and analytical methods using the multiple regresion to test the hypothesis. The major hypothesis were as follows:

H₀: The Customer Satisfaction, Switching Cost, and Trust in Brand had no Significant Influence towards the Customer Loyalty

H₁: The Customer Satisfaction, Switching Cost, and Trust in Brand had Significant Influence towards the Customer Loyalty

There were also minor hypotheses to test each independent variabel toward the dependent ones. Regressions models are used to assuming that there is a linear relationship between variables with variable customer loyalty, customer satisfaction, cost, switching and trust in a brand. As for the regression equation that models analysis were: $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$

Where:

Y = Customer Loyalty ;	a = Constants ,	b1-b3 = regression Coefficient to estimated
x1 = Customer Satisation,	x2= Switching Cost,	x3 = Trust in Brand
e; = error/variable bullies		

The instrument of this research was questionnaires, and before distributed, there were tested for their validity and reliability. This research also test the Goodness of Fit that used to measure the precision of the sample regression functions in estimating the actual value. Test of Goodness of Fit can be done by statistical methods through the measurement of the value of the coefficient of determination, the value of statistics and the statistical value of t.

4. Results and Discussion

IM3 stands for Indosat Multi Media Mobile. Prior to be merged with PT. Indosat Tbk, IM 3 was managed by PT. Indosat Multi Media Mobile. Hence, the brand IM3 first was launched on August 31, 2001 in several big cities in Indonesia and has became successfully accepted by the Indonesian market, especially for the youngsters.

This research used the classical assumption test before conducting the multiple regression analysis. The classical assumption consists of *normality test*, *multikolinierity test*, *heteroskedastisitas test*, and *autocorrelation test*. Moreover from those assumption test, it was proven that the data are eligible to be conducted in regression analysis.

The results of the regression equation of this research was $Y = 0,967 + 0,392x_1 + 0,241x_2 + 0,114x_3$

The constant value was 0,967 which meant that if there were no changes of customer satisfaction, cost, switching and trust in brand, the customer loyalty is positively increased at 0,967 point value. The Coefficient value of

customer satisfaction was 0,392 which meant that if the variable of customer satisfaction increased for one unit then customer loyalty would increase for 0,392 point assuming that other independent variable value was fixed. The coefficient value of switching cost was 0,241 which meant that if the variable of switching cost increased for one unit, the customer loyalty would increase for 0,241 point, assuming that other independent variable value was fixed. The coefficient value of trust in brand was 0,114 which meant that if the trust in the brand increased for one unit then the customer loyalty would increase for 0,114 point, assuming other independent variable value is fixed.

Furthermore, based on the Anova test for the Goodnes of the fit, the F value was reported as 21,744 with 0.000 extent of signification. Hence, because the F value was more than the F Table, the Null Hypotheses was rejected. It meant that customer satisfaction, switching cost, and trust in brand influence influenced the customer loyalty card users IM3.

From the partially analysis, the results of the output of the SPSS for windows 17 for each variable depicted that customer satisfaction and switching cost had influenced the customer loyalty significantly. However, the trust in brand variable had no influence to the customer loyalty.

The Adjusted R Square was pointed for 0.386 value which meant that 38.6% of the variation in customer loyalty could be explained by the independent variables as customer satisfaction, switching cost, and trust in the brand. While the rest of 61,4% (100%-38.6%) was explained by other reasons or other variables outside of the model.

5. Conclusion and Managerial Implications

5.1. Conclusion

Based on the analysis conducted in this study could be summed up that if the variable of customer satisfaction and the switching cost variable increased, the customer loyalty would increase. However, the increase of trust in brand would have no effect on the customer loyalty. Furthermore, simultaneously all the three variables has a significant influence to the customer loyalty.

5.2. Managerial implications

Baised on the research result there were three managerial implications for the comany. First, enhancing the customer loyalty through customer satisfaction customer satisfaction should be carried on, for examples by giving facilities that meet the customer expectations, giving more outlet for ensuring the direct availability of services, as well as following up complaints for the customers. Second, customer loyalty could be enhanced through improved switching cost, for example strengthening the signal, incresing the accessibility of the internet service, strengthening the specific community program for IM3 users. Third, for enhancing customer loyalty through trust in brand could be developed by activating the inovation of IM3 products, creating social bonding through developing brand community, holding event and sponsorship, and building partnering programs with banks for the financial transation accessibility.

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